



**PAN ORIENT ENERGY CORP.**  
**Press Release**  
**2016 Year End Financial & Operating Results**

**CALGARY, March 23, 2017**

Pan Orient Energy Corp. ("Pan Orient") (POE – TSXV) reports 2016 year-end and fourth quarter consolidated financial and operating results. *Please note that all amounts are in Canadian dollars unless otherwise stated and BOPD refers to barrels of oil per day.*

The Corporation is today filing its audited consolidated financial statements as at and for the year ended December 31, 2016 and related management's discussion and analysis with Canadian securities regulatory authorities. Copies of these documents may be obtained online at [www.sedar.com](http://www.sedar.com) or the Corporation's website, [www.panorient.ca](http://www.panorient.ca).

Commenting today on Pan Orient's 2016 results, President and CEO Jeff Chisholm stated: "While 2016 was a difficult year for the industry as a whole, Pan Orient weathered the storm by virtue of a very strong balance sheet, large cash position, low cost and high net back onshore Thailand oil production and made progress towards providing shareholders potentially substantial near term growth at the East Jabung PSC in Indonesia with the completion of the permitting process and the start of road and well pad construction for the upcoming AYU-1 exploration well. We now look forward to the drilling of AYU-1 which is anticipated to commence in late April after a modest delay in construction activities due to very heavy rain".

**2016 HIGHLIGHTS**

Indonesia

- Construction of the road to the AYU-1 exploration well location was completed on March 9th and well pad construction is currently underway. Heavy rain has been experienced throughout the construction period and as a result, the first exploration well at the Anggun prospect of the East Jabung Production Sharing Contract ("PSC"), is estimated to commence in late-April 2017.
- The Batu Gajah PSC expired on January 15, 2017. The requested two year extension to the PSC allowing for drilling throughout the PSC was not going to be granted and information on nearby wells indicated that the Akeh-1 accumulation was much more complex and substantially smaller than first believed. Pan Orient decided not to drill the Akeh-2 appraisal well and allowed the PSC to expire.

Thailand

- Net to Pan Orient's 50.01% equity interest in the Thailand Joint Venture, oil sales were 258 BOPD in 2016, (compared with 324 BOPD in 2015) and funds flow from operations was \$2.4 million, or \$25.89 per barrel (compared with \$3.9 million and \$32.92 per barrel in 2015).
- Approval was received from the Government of Thailand, effective January 8, 2016, for a 215.87 square kilometer "reserved area" for exploration at Concession L53 for a period of up to five years.
- The 2016 exploration and development program included a number of workovers and the ANE-A1 exploration well at the "A" North East prospect which failed to encounter hydrocarbons.
- It is expected that the 2017 Thailand capital program will include at least one exploration well and a multi-well work-over program.

Sawn Lake, Canada (Pan Orient's 71.8% subsidiary Andora owns a 50% working interest and is the operator)

- The steam assisted gravity drainage ("SAGD") demonstration project reached a steady state production level in January and February 2016 with an average of 615 barrels per day ("BOPD") (307 BOPD net to Andora) and an average instantaneous steam-oil ratio ("ISOR") of 2.1 from the one SAGD wellpair.
- The demonstration project established the viability of the SAGD process in the Bluesky formation at Sawn Lake, indicated the productive capability and ISOR, and provided critical information required for well and facility design associated with potential future commercial development. The demonstration project was suspended on February 29, 2016.
- Andora's June 30, 2016 Contingent Resources Report estimated unrisked "Best Estimate" contingent resources of 231.6 million barrels of recoverable bitumen (166.3 million barrels net to Pan Orient's 71.8% interest in Andora).
- Andora submitted an application for a potential commercial expansion at Sawn Lake to 3,200 BOPD and is waiting for regulatory approval. Expansion is dependent on completion of detailed engineering and higher commodity prices to support project economics and financing.

## Corporate

- On February 16, 2016, Pan Orient returned \$22.0 million (\$0.40 per common share) to shareholders.
- Corporate funds flow used in operations for 2016 was \$1.3 million with \$2.5 million used in the first nine months of 2016, corporate funds flow from operations was \$1.2 million in the fourth quarter of 2016. Corporate funds flow in the fourth quarter resulted from increased oil sales and oil prices associated with Pan Orient's 50.01% equity interest in the Thailand Joint Venture and foreign exchange gains on United States dollar holdings.
- The net loss attributable to common shareholders in 2016 was \$82.8 million, with a \$78.1 million net loss attributable to common shareholders in the fourth quarter of 2016, primarily due to the net impairment expense associated with the expiry of the Batu Gajah PSC.
- Pan Orient has a strong financial position at December 31, 2016 for planned exploration activities in Indonesia and Thailand with working capital and non-current deposits of \$49.8 million and no long-term debt.

## **2016 FOURTH QUARTER OPERATING RESULTS**

*The financial statements reflect that on February 2, 2015 the Company sold a 49.99% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. ("POS") and retained a 50.01% equity interest. From February 2, 2015 forward the retained 50.01% equity interest is reclassified as a jointly controlled Joint Venture and Pan Orient's 50.01% equity interest in the working capital, assets, capital expenditures, liabilities and operations of POS are recorded as Investment in Thailand Joint Venture.*

- Net loss attributable to common shareholders for the fourth quarter of 2016 of \$78.1 million (\$1.42 loss per share) compared with \$0.9 million loss (\$0.02 loss per share) in the third quarter of 2016 and \$4.0 million loss (\$0.07 loss per share) in the fourth quarter of 2015. In the fourth quarter of 2016 the Company reported a \$102.3 million impairment charge of Batu Gajah Exploration and Evaluation assets offset by the \$22.6 million associated reduction in accumulated other comprehensive income related to foreign currency translation for a net impairment expense of \$79.7 million.
- For the fourth quarter of 2016, the Company recorded total corporate funds flow from operations, which includes the economic results of the 50.01% interest in the Thailand joint venture, of \$1.2 million (\$0.02 per share). This compares with total corporate funds flow from operations for the third quarter of 2016 of \$0.3 million (\$0.01 per share). Compared with corporate funds flow from operations from the third quarter of 2016, the fourth quarter of 2016 had:
  - economic funds flow from Thailand operations were 71% higher driven by an 19% increase in the realized crude oil price and a 23% increase in oil sales volume.
  - foreign exchange gains in Canada of \$696 thousand (\$242 thousand gain in the third quarter) from the stronger United States dollar.
  - Indonesia exploration expense recovery of \$101 thousand (\$4 thousand expense in the third quarter) from receiving refund of government deposit associated with the Citarum PSC.
- Pan Orient had capital expenditures of \$0.4 million in the fourth quarter of 2016, with \$0.2 million in Indonesia and \$0.2 million in Canada at the Sawn Lake SAGD demonstration project of Andora. In addition, Pan Orient's share of Thailand joint venture capital expenditures was \$1.0 million, which was recorded in Investment in Thailand Joint Venture.
- Capital expenditures for 2016, net of dispositions, were \$5.2 million, with \$1.9 million in Indonesia, \$1.8 million in Canada at the Sawn Lake SAGD demonstration project of Andora, and \$1.5 million for Pan Orient's share of Thailand joint venture capital expenditures.
- At December 31, 2016, Pan Orient had \$49.8 million of working capital and non-current deposits. Working capital and non-current deposits were comprised of \$46.9 million cash, \$4.4 million of non-current deposits, other receivables of \$0.3 million and less Canadian taxes payable of \$0.1 million and accounts payable of \$1.7 million. In addition, Pan Orient's Investment in Thailand Joint Venture includes \$3.0 million of Thailand working capital and non-current deposits and \$1.9 million of equipment inventory to be utilized for future Thailand Joint Venture operations.
- Pan Orient had outstanding capital commitments as at December 31, 2016 of \$2.0 million in Indonesia associated with the Company's 49% participating interest in the East Jabung PSC. In Canada, capital commitments are \$0.3 million with respect to contracted natural gas pipeline tie-in and tariff charges associated with the Sawn Lake SAGD demonstration project of Andora.

➤ Results net to Pan Orient's 50.01% Interest in the Thailand Joint Venture for Concession L53

- Average oil sales of 290 BOPD during the fourth quarter of 2016 and generated \$1.0 million in funds flow from operations, or \$37.30 per barrel. This compares with 2016 third quarter results of 236 BOPD (a 23% increase) and \$26.74 per barrel in funds flow from operations (a 39% increase). The average realized sales price per barrel has increased to \$60.22 in the fourth quarter from \$37.07 in the first quarter and \$50.68 in the third quarter.
- Per barrel amounts during the fourth quarter of 2016 were a realized price for oil sales of \$60.22, transportation expenses of \$1.54, operating expenses of \$10.81, general and administrative expenses of \$7.57 and a 5% royalty to the Thailand government of \$3.00. Oil sales revenue during this period was allocated 33% to expenses for transportation, operating, and general & administrative, 5% to the government of Thailand for royalties, and 62% to the Thailand Joint Venture. No Thailand petroleum income taxes or Special Remuneratory Benefit tax was recorded during the quarter.
- Capital expenditures were \$1.0 million during the fourth quarter of 2016 and \$1.5 million for 2016. Capital expenditures for 2016 were comprised of \$0.9 million for drilling of the ANE-A1 exploration well at the "A" North East prospect, \$0.5 million for workovers and other capital expenditures and \$0.1 million for capitalized general and administrative expenses. The ANE-A1 exploration well at the "A" North East prospect did not encounter hydrocarbons.
- Oil sales in January and February 2017 at Concession L53, net to Pan Orient's 50.01% interest, averaged 254 BOPD.
- The December 31, 2016 independent reserves evaluation for Thailand on-shore Concession L53 was prepared for POS, a 50.01% owned subsidiary of Pan Orient, which is the operator and has a 100% working interest. The evaluation was conducted by Sproule International Limited of Calgary ("Sproule") and was prepared in accordance with Canadian Securities Administrators National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. Pan Orient has a 50.01% ownership in POS, but does not have any direct interest in, or control over, the crude oil reserves or operations of on-shore Concession L53. The values at December 31, 2016 identified as "Net to Pan Orient's 50.01% Equity Interest in Pan Orient Energy (Siam) Ltd." represent 50.01% of POS reserves and values.

Net to Pan Orient's 50.01% equity interest in POS, proved plus probable crude oil reserves of 570,000 barrels at December 31, 2016 from conventional sandstone reservoirs, decreased 5% compared with the prior year. Net to Pan Orient's 50.01% equity interest in POS, net present value (after tax) of Thailand proved plus probable crude oil reserves at December 31, 2016, using forecast prices and costs discounted at 10% per year, of Cdn\$13.2 million, or \$0.24 per Pan Orient share based on the current 54.9 million Pan Orient shares outstanding.

➤ Indonesia

- At the East Jabung PSC, onshore Sumatra, Pan Orient has a 49% participating interest and is a non-operator. In 2015 Pan Orient completed a farm-out of a 51% participating interest and operatorship of the East Jabung PSC to a subsidiary of Repsol S.A. whereby the farminee funds the first USD\$10 million towards the first exploration well and a contingent commitment to fund the first USD\$5 million towards an appraisal well if the farminee elects to drill an appraisal well as a follow up to success in the first exploration well. In addition, the farminee bears 100% of the general and administrative costs associated with the first exploration well and for any appraisal well. Efforts in 2016 were focused towards drilling of the AYU-1 exploration well, the first exploration well at the Anggun ELOK prospect complex of the East Jabung PSC. Construction of the five kilometer access road was completed on March 9 and well pad construction is currently underway. Drilling rig mobilization is planned to start prior to month end and the commencement of drilling of the approximately 21 day well is anticipated on or about the end of April. Rain has impacted timelines throughout the entire period of road and well pad construction resulting in a departure from the original timelines as mitigation measures are carried out.
- Pan Orient's 2016 capital expenditures for the East Jabung PSC were \$0.6 million comprised of \$0.5 million at the East Jabung PSC accrued for the sub-surface portion of the 2012, 2013 and 2014 Land and Building Tax assessments and \$0.1 million for seismic reprocessing and capitalized G&A expenses.
- At the Batu Gajah PSC, onshore Sumatra, Pan Orient was operator with a 77% participating interest. During 2016, Pan Orient worked towards drilling the Akeh-2 appraisal well to the Akeh-1 exploration well drilled in the fourth quarter of 2015 which resulted in a natural gas and condensate discovery, but recognizing that the test results for Akeh-1 are not necessarily indicative of long-term performance, ultimate recovery or commercial viability. In early 2016 the oil and gas regulator of the Government of Indonesia ("GOI") informed the Company that an additional appraisal well of the Akeh discovery was required prior to granting of "Release from Exploration Status" as a "conclusive discovery". The Batu Gajah PSC 10 year exploration phase had an expiry date of January 15, 2017 and the Company submitted an application for a two year extension in June 2016, the earliest date for an application allowed under oil and gas regulations. The requested two year extension would provide time to drill the Akeh-2 appraisal well, potentially obtain the "Release from Exploration Status", move forward to prepare a Plan of Development to determine the likelihood of the commerciality of the Akeh-1 discovery and to

undertake other drilling activities within the PSC. Discussions with the GOI at the end of 2016 indicated the possibility of a one year extension to the exploration term of the PSC, specifically only allowing the Akeh-2 appraisal well in early 2017 and no other drilling activity. Additionally, information at that time indicated that nearby wells, in close proximity to the Batu Gajah PSC boundary, have performed in a fashion suggesting that the Akeh-1 accumulation is both much more complex and substantially smaller than first believed. The implications are that it appears very unlikely Pan Orient would achieve the required commercial threshold for an approved Plan of Development for the Akeh structure, and as a result, it is not possible to justify the expenditures required for the drilling of the Akeh-2 appraisal well, particularly combined with the current and foreseeable oil price environment. Pan Orient notified the GOI that the PSC would expire at the end of the 10 year term on January 15, 2017. As a result, the Company reported a \$102.3 million impairment charge of Batu Gajah Exploration and Evaluation assets and offset by the \$22.6 million associated reduction in accumulated other comprehensive income related to foreign currency translation for a net impairment expense of \$79.7 million.

- Pan Orient's 2016 capital expenditures for the Batu Gajah PSC were \$1.3 million comprised of \$1.4 million for capitalized G&A expenses, and less a \$0.1 million recovery from the expected refund of government deposit associated with the Batu Gajah PSC.
  - During 2016 Pan Orient recorded \$0.8 million of exploration expenses associated with the Citarum PSC which expired in 2015. These expenses related to final drilling expenses associated with the PSC, expenses associated with the relinquishment of the PSC, and less recovery of \$0.1 million from receiving refund of government deposit associated with the Citarum PSC.
- Sawn Lake Alberta Heavy Oil (Operated by Andora, in which Pan Orient has a 71.8% ownership)
- Capital expenditures for the Sawn Lake demonstration project during the fourth quarter of 2016 were \$0.1 million and \$1.8 million for 2016. Capital expenditures related to suspension of demonstration project operations at the end of February 2016, costs associated with filing the application for potential commercial expansion at the demonstration project site, capitalization of expenses and revenues of the demonstration project and capitalized G&A. Andora capitalized \$1.1 million of demonstration project expenses less revenues in 2016.
  - The demonstration project successfully captured the key data associated with its objectives, which was used to update the Sawn Lake reservoir model and prepare an updated contingent resources report. Production results to date are not necessarily indicative of long-term performance or of ultimate recovery and the Sawn Lake demonstration project has not yet proven that it is commercially viable.
  - The June 30, 2016 Contingent Resources Report is a National Instrument 51-101 compliant resources evaluation for Andora's oil sands interests at Sawn Lake Alberta, Canada, as evaluated by Sproule Unconventional Limited ("Sproule"). The evaluation included all of Andora's Oil Sands Leases at Sawn Lake based on exploitation using SAGD. Results of the demonstration project increased unrisks recoverable resources 8%, significantly increased average peak production rates and decreased the requirement for natural gas by 16%. Andora's unrisks "Best Estimate" contingent resources increased 8% to 231.6 million barrels of recoverable bitumen (166.3 million barrels net to Pan Orient's 71.8% interest in Andora). The estimated before tax net present value, discounted at 10%, of Andora's unrisks "Best Estimate" contingent resources increased 21% to \$568 million (\$408 million net to Pan Orient's 71.8% interest in Andora), despite a 15% decrease in the forecast average realized price per barrel for bitumen, given the performance of the demonstration project in terms of peak production rate and cumulative steam-oil ratio ("CSOR"). The estimated after tax net present value, discounted at 10%, of Andora's unrisks "Best Estimate" contingent resources increased 26% to \$374 million (\$268 million net to Pan Orient's 71.8% interest in Andora). The evaluation assigned an 85% chance of development for Sawn Lake, or a 15% development risk, and the risks "Best Estimate" contingent resources for Andora are 196.9 million barrels of bitumen recoverable (141.4 million barrels net to Pan Orient's 71.8% interest in Andora). The risks "Best Estimate" net present value, discounted at 10%, for Andora's interests is \$482 million on a before tax basis and \$318 million on an after tax basis (\$346 million and \$228 million net to Pan Orient's 71.8% interest in Andora respectively).
  - An application for a potential expansion at the demonstration project site to 3,200 BOPD was submitted in April 2016. It is expected that a reactivation of the demonstration project facility and wellpair would be considered as part of a potential commercial expansion to 3,200 BOPD. The expansion application requests the drilling of up to seven additional SAGD wellpairs which are tied into the existing demonstration project facility. The facility would be expanded to generate the additional necessary steam, and it is anticipated that additional steam generation would include the test installation of Andora's proprietary produced water boiler. Andora believes that its produced water boiler could achieve significant benefits for Sawn Lake SAGD field development. An expansion is dependent on regulatory approval, completion of detailed engineering and a higher commodity price environment to support project economics and financing.
  - Andora is completing detailed engineering for its proprietary Thermal System and Process for Producing Steam from Oilfield Produced Water ("Produced Water Boiler").



## OUTLOOK

### INDONESIA

#### East Jabung PSC, Onshore Sumatra Indonesia (Pan Orient 49% ownership & Non Operator)

Drilling of the AYU-1 exploration well, the first exploration well at the Anggun prospect of the East Jabung Production Sharing Contract ("PSC"), is estimated to commence in late-April 2017. Construction of the five kilometer access road has been completed and well pad construction is underway. Exploration success with AYU-1 could have a significant impact on Pan Orient. With the expiry of the Batu Gajah PSC, Pan Orient will have substantially reduced overhead and G&A in Indonesia.

### THAILAND

#### Concession L53 Onshore (Pan Orient Energy (Siam) Ltd., in which Pan Orient has 50.01% ownership)

Concession L53 has continued to generate funds flow from operations throughout 2016 due to its low cost structure. Exploration activities in 2017 are expected to be financed by Thailand working capital and funds flow from operations. The 2017 Thailand capital program, soon to be finalized with partners, will include at least one exploration well and a multi-well work-over program.

### CANADA

#### Sawn Lake (Operated by Andora, in which Pan Orient has a 71.8% ownership)

Pan Orient continues to move forward with steps towards potential future development at Sawn Lake. It is recognized that higher crude oil prices, and specifically higher Western Canada Select reference prices, will have a significant impact on any decision regarding the timing of future development. The first steps will be receiving approval for the Sawn Lake expansion and completing detailed engineering for its proprietary Produced Water Boiler.

#### Corporate

The Company maintains a strong financial position to conduct key exploration and development activities in all three countries during 2017 and ensure financial flexibility. Pan Orient continues to review its worldwide exploration and development asset portfolio with the aim of maximizing corporate value and the best allocation of a substantial net cash balance that is in excess of future capital commitments. These activities range from the potential divestment of existing assets to the ongoing screening of new venture opportunities.

Pan Orient is a Calgary, Alberta based oil and gas exploration and production company with operations currently located onshore Thailand, Indonesia and in Western Canada.

*This news release contains forward-looking information. Forward-looking information is generally identifiable by the terminology used, such as "expect", "believe", "estimate", "should", "anticipate" and "potential" or other similar wording. Forward-looking information in this news release includes, but is not limited to, references to: renewal, extension or termination of oil concessions and production sharing contracts; other regulatory approvals; well drilling programs and drilling plans; the benefits of patented technology; estimates of reserves and potentially recoverable resources, information on future production and project start-ups, and negotiation, agreement, closing and financing and other terms of farmout and other transactions; potential purchases of common shares under the normal course issuer bid; and sufficiency of financial resources. By their very nature, the forward-looking statements contained in this news release require Pan Orient and its management to make assumptions that may not materialize or that may not be accurate. The forward-looking information contained in this news release is subject to known and unknown risks and uncertainties and other factors, which could cause actual results, expectations, achievements or performance to differ materially, including without limitation: imprecision of reserve estimates and estimates of recoverable quantities of oil, changes in project schedules, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling and related activities, demand for oil and gas, commercial negotiations, other technical and economic factors or revisions and other factors, many of which are beyond the control of Pan Orient. Although Pan Orient believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurances that the expectations of any forward-looking statements will prove to be correct.*

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

#### **FOR FURTHER INFORMATION, PLEASE CONTACT:**

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Financial and Operating Summary	Three Months Ended December 31,		Twelve Months Ended December 31,		% Change
	2016	2015	2016	2015	
<i>(thousands of Canadian dollars except where indicated)</i>					
<b>FINANCIAL</b>					
<b>Financial Statement Results – Excluding 50.01% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 1)</b>					
Net income (loss) attributed to common shareholders	(78,149)	(3,980)	(82,837)	29,053	-385%
Per share – basic and diluted	\$ (1.42)	\$ (0.07)	\$ (1.51)	\$ 0.52	-390%
Cash flow from operating activities (Note 2)	82	80	8,620	1,439	499%
Per share – basic and diluted	\$ 0.00	\$ 0.00	\$ 0.16	\$ 0.03	424%
Cash flow from (used in) investing activities (Note 2)	(65)	(6,057)	(5,864)	40,342	-115%
Per share – basic and diluted	\$ (0.00)	\$ (0.11)	\$ (0.11)	\$ 0.72	-115%
Working capital	45,447	74,901	45,447	74,901	-39%
Working capital & non-current deposits	49,818	79,160	49,818	79,160	-37%
Long-term debt	-	-	-	-	0%
Shares outstanding (thousands)	54,885	54,885	54,885	54,885	0%
Capital commitments (Note 3)	2,318	2,399	2,318	2,399	59%
Contingencies (Note 4)					
Working Capital and Non-current Deposits					
Beginning of period	49,945	81,128	79,160	40,854	94%
Corporate funds flow from (used in) operations (Note 6)	251	558	(3,778)	1,088	-447%
Special distribution	-	-	(21,954)	-	100%
Funds flow from sale of Thailand interest	-	-	-	48,877	-100%
Working capital and non-current deposits derecognized on sale of Thailand interest and recorded in Investment in Joint	-	-	-	(3,151)	-100%
Consolidated capital expenditures (Note 8)	(431)	(4,301)	(3,905)	(17,055)	-77%
Amounts received from Thailand Joint Venture	40	1,391	172	1,293	-87%
Disposal of petroleum and natural gas assets (Note 9)	56	-	161	9,764	-98%
Normal course issuer bid	-	-	-	(2,691)	-100%
Foreign operations - unrealized foreign exchange gain (loss)	(43)	384	(38)	181	-121%
End of period	49,818	79,160	49,818	79,160	-37%
<b>Economic Results – Including 50.01% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 5)</b>					
Total corporate funds flow from (used in) operations (Note 6)	1,249	1,837	(1,301)	4,676	-128%
Per share – basic and diluted	\$ 0.02	\$ 0.03	\$ (0.02)	\$ 0.08	-130%
Corporate funds flow from (used in) operations by region (Note 6)					
Canada (Note 7)	255	1,063	(2,424)	4,222	-157%
Thailand – 100% to February 1, 2015 (Note 1)	(2)	19	(29)	305	-110%
Indonesia	(2)	(524)	(1,325)	(3,439)	-61%
Funds flow from (used in) consolidated operations	251	558	(3,778)	1,088	-447%
Share of funds flow from Thailand Joint Venture (Note 5)	998	1,279	2,477	3,588	-31%
Total corporate funds flow from (used in) operations	1,249	1,837	(1,301)	4,676	-128%
Funds flow from sale of Thailand interest	-	-	-	48,877	-100%
Petroleum and natural gas properties					
Capital expenditures (Note 8)	1,444	4,538	5,400	20,997	-74%
Dispositions – excluding sale of Thailand interest (Note 9)	(56)	-	(161)	(9,764)	-98%
Capital Expenditures (Note 8)					
Canada (Note 7)	176	703	1,980	4,669	-58%
Thailand – 100% to February 1, 2015 (Note 1)	-	-	-	60	-100%
Indonesia	255	3,598	1,925	12,326	-84%
Consolidated capital expenditures	431	4,301	3,905	17,055	-77%
Share of Thailand Joint Venture capital expenditures	1,013	237	1,495	3,942	-62%
Total capital expenditures	1,444	4,538	5,400	20,997	-74%
<b>Investment in Thailand Joint Venture</b>					
Beginning of period	33,316	36,328	35,088	-	100%
Investment retained on sale of Thailand interest	-	-	-	38,587	-100%
Net loss from Joint Venture	(226)	(928)	(1,542)	(1,992)	-23%
Other comprehensive gain (loss) from Joint Venture	(255)	1,078	(579)	(214)	171%
Amounts received from Joint Venture	(40)	(1,391)	(172)	(1,293)	-87%
End of period	32,795	35,088	32,795	35,088	-7%

	Three Months Ended December 31,		Twelve Months Ended December 31,		Change
	2016	2015	2016	2015	
<i>(thousands of Canadian dollars except where indicated)</i>					
<b>Thailand Operations</b>					
<b>Economic Results – Including 50.01% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 5)</b>					
Oil sales (bbls)	26,702	38,740	94,539	118,269	-20%
Average daily oil sales (BOPD) by Concession L53	290	421	258	324	-20%
Average oil sales price, before transportation (CDN\$/bbl)	\$ 60.22	\$ 49.61	\$ 48.95	\$ 57.94	-16%
Reference Price (volume weighted) and differential					
Crude oil (Brent \$US/bbl)	\$ 49.12	\$ 44.02	\$ 43.51	\$ 50.84	-14%
Exchange Rate \$US/\$Cdn	1.34	1.35	1.34	1.28	4%
Crude oil (Brent \$Cdn/bbl)	\$ 65.72	\$ 59.34	\$ 58.33	\$ 65.23	-11%
Sale price / Brent reference price	92%	84%	84%	89%	-6%
Funds flow from (used in) operations (Note 6)					
Crude oil sales	1,608	1,922	4,628	6,853	-32%
Government royalty	(80)	(94)	(229)	(336)	-32%
Transportation expense	(41)	(56)	(143)	(186)	-23%
Operating expense	(289)	(371)	(1,057)	(1,626)	-35%
Field netback	1,198	1,401	3,199	4,705	-32%
General and administrative expense (Note 10)	(202)	(102)	(756)	(777)	-3%
Interest income	5	2	11	9	22%
Foreign exchange loss	(5)	(3)	(5)	(44)	-89%
Current income tax	-	-	(1)	-	100%
Funds flow from operations - Thailand	996	1,298	2,448	3,893	-37%
Funds flow from (used in) operations / barrel (CDN\$/bbl) (Note 6)					
Crude oil sales	\$ 60.22	\$ 49.61	\$ 48.95	\$ 57.94	-16%
Government royalty	(3.00)	(2.43)	(2.42)	(2.84)	-15%
Transportation expense	(1.54)	(1.45)	(1.51)	(1.57)	-4%
Operating expense	(10.81)	(9.58)	(11.18)	(13.75)	-19%
Field netback	\$ 44.87	\$ 36.16	\$ 33.84	\$ 39.78	-15%
General and administrative expense (Note 10)	(7.57)	(2.63)	(8.01)	(6.57)	22%
Interest Income	0.19	0.05	0.12	0.08	53%
Foreign exchange loss	(0.19)	(0.08)	(0.05)	(0.37)	-86%
Current income tax	-	-	(0.01)	-	100%
Funds flow from operations - Thailand	\$ 37.30	\$ 33.51	\$ 25.89	\$ 32.92	-21%
Government royalty as percentage of crude oil sales	5%	5%	5%	5%	
Income tax & SRB as percentage of crude oil sales	-	-	-	-	
As percentage of crude oil sales					
Expenses - transportation, operating, G&A and other	33%	28%	42%	38%	4%
Government royalty, SRB and income tax	5%	5%	5%	5%	0%
Funds flow from operations, before interest income	62%	68%	53%	57%	-4%
Wells drilled					
Gross	1	-	1	3	-67%
Net	0.5	-	0.5	1.5	-67%
<b>Financial Statement Presentation</b>					
<b>Results – Excluding 50.01% Interest in Thailand Joint Venture from February 2, 2015 onwards (Note 1)</b>					
Crude oil sales	-	-	-	809	-100%
Government royalty	-	-	-	(38)	-100%
Transportation expense	-	-	-	(24)	-100%
Operating expense	-	-	-	(257)	-100%
Field netback	-	-	-	490	-100%
General and administrative expense (Note 10)	(3)	(2)	(30)	(199)	-85%
Interest income	-	-	-	1	-100%
Foreign exchange gain	1	21	1	13	-92%
Funds flow from (used in) consolidated operations	(2)	19	(29)	305	-110%
Funds flow included in Investment in Thailand Joint Venture					
Net loss from Thailand Joint Venture	(226)	(928)	(1,542)	(1,992)	-23%
Add back non-cash items in net loss	1,224	2,207	4,019	5,580	-28%
Funds flow from Thailand Joint Venture	998	1,279	2,477	3,588	-31%
Thailand – Economic funds flow from operations	996	1,298	2,448	3,893	-37%

(thousands of Canadian dollars except where indicated)	Three Months Ended December 31,		Twelve Months Ended December 31,		Change
	2016	2015	2016	2015	
<b>Canada Operations (Note 7)</b>					
Interest income	46	32	173	149	16%
General and administrative expenses (Note 10)	(637)	(604)	(2,303)	(2,425)	-5%
Foreign exchange gain (loss)	696	1,635	(165)	6,498	-103%
Current income tax	150	-	(129)	-	100%
Canada – Funds flow from (used in) operations	255	1,063	(2,424)	4,222	-157%
<b>Indonesia Operations</b>					
General and administrative expense (Note 10)	(110)	(430)	(516)	(1,678)	-69%
Exploration expense (Note 11)	101	(58)	(831)	(464)	79%
Foreign exchange gain (loss)	7	(76)	22	(881)	-102%
Current income tax	-	40	-	(416)	-100%
Indonesia – Funds flow used in operations	(2)	(524)	(1,325)	(3,439)	-61%
Wells drilled					
Gross	-	-	-	1	-100%
Net	-	-	-	0.8	-100%

(thousands of Canadian dollars except where indicated)	Year Ended December 31,		Change
	2016	2015	
<b>RESERVES AND CONTINGENT RESOURCES</b>			
Onshore Thailand – Concession L53 (50.01% economic interest) (Note 1)	(Note 12)	(Note 13)	
Proved oil reserves (thousands of barrels)	273	253	8%
Proved plus probable oil reserves (thousands of barrels)	570	599	-5%
Net present value of proved + probable reserves, after tax discounted at 10%	13,187	13,051	1%
Per Pan Orient share – basic (Note 14)	\$0.24	\$ 0.24	0%
Canada (Pan Orient's 71.8% share of the oil sands leases of Andora at Sawn Lake, Alberta)	(Note 15)	(Note 16)	

#### INTERNATIONAL INTERESTS AT DECEMBER 31, 2016

All amounts reflect Pan Orient's economic interest	Status	Net Square Kilometers	December 31, 2016 Financial Commitments (Cdn thousands)	2016 Avg. Production (BOPD)	P+P Reserves (thousands of barrels)
<b>Onshore Thailand Concession (Recorded in Investment in Joint Venture)</b>					
L53/48 (Pan Orient 50.01% ownership as at December 31, 2016) (Note 1 & 17)	Partially developed	108	- to January 2021 (Note 17)	258	570
<b>Onshore Indonesia PSCs (Consolidated subsidiaries)</b>					
East Jabung PSC, South Sumatra (49% interest & non-operator) (Note 18, 10 & 20)	Undeveloped	1,445	\$ 2,049 to November 2017		
Batu Gajah PSC, South Sumatra (77% interest & operator) (Note 21)	Undeveloped	-	- PSC expired January 15, 2017		
		1,553	\$ 2,049		

- (1) On February 2, 2015 the Company sold a 49.99% equity interest in its subsidiary Pan Orient Energy (Siam) Ltd. and retained a 50.01% equity interest in the company. The transaction resulted in Pan Orient Energy (Siam) Ltd. changing from a wholly-owned and controlled subsidiary to a joint arrangement where the Company shares joint control with the purchaser of the 49.99% equity interest. The resulting joint arrangement is classified as a Joint Venture under IFRS 11 and is required to be accounted for using the equity method of accounting rather than consolidated as it had previously been when Pan Orient Energy (Siam) Ltd. was a controlled subsidiary. The change in accounting from consolidation to the equity method has resulted in the accounts of Pan Orient Energy (Siam) Ltd. being derecognized from the consolidated financial statements and a net investment related to the portion of the interest retained being recognized at its estimated fair value upon initial recognition. Pan Orient's 50.01% equity interest in the assets, liabilities, working capital, operations and capital expenditures of Pan Orient Energy (Siam) Ltd. from February 2, 2015 forward are recorded in Investment in Joint Venture.
- (2) As set out in the Consolidated Statements of Cash Flows in the Consolidated Financial Statements of Pan Orient Energy Corp.
- (3) Refer to Commitments in Note 19 of the December 31, 2016 and December 31, 2015 Consolidated Financial Statements.
- (4) Refer to Contingencies in Note 20 of the December 31, 2016 and December 31, 2015 Consolidated Financial Statements.
- (5) For the purpose of providing more meaningful economic results from operations for Thailand, and for comparison to previous period, the amounts presented consist of:
  - (a) Company's share of Thailand funds flow from operation at 100% from January 1, 2015 to February 1, 2015 (being the beginning of the year to the last date before the equity interest was completed as discussed in note 1)
  - (b) Company's share of Thailand funds flow from operating at 50.01% subsequent to February 2, 2015 (when the Company completed the equity sale transaction).
- (6) Corporate funds flow from operations is cash flow from operating activities prior to changes in non-cash working capital, and



reclamation costs plus the corresponding amount from the Thailand operations which is recorded in Investment in Joint Venture for financial statement purposes. This measure is used by management to analyze operating performance and leverage. Funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Funds flow is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.

- (7) The Sawn Lake Demonstration Project in Alberta has not yet proven that it is commercially viable and all related costs and revenues are being capitalized as exploration and evaluation assets until commercial viability is achieved.
- (8) Cost of capital expenditures, excluding decommissioning provision and the impact of changes in foreign exchange rates.
- (9) During the second quarter of 2015 the Company completed a farmout of a 51% interest of the East Jabung PSC in Indonesia and received an upfront cash payment of USD \$8.0 million, less 5% withheld for transfer taxes, plus USD \$181 thousand reimbursed for G&A, which has been recorded as a disposal of E&E assets with no gain or loss recorded on the transaction.
- (10) General & administrative expenses, excluding non-cash accretion on decommissioning provision and stock-based payments.
- (11) Exploration expense relates to exploration costs associated with the Citarum and South CPP PSCs in Indonesia.
- (12) Thailand reserves as at December 31, 2016 as evaluated by Sproule International Limited of Calgary assessed at forecast crude oil reference prices and costs. The US\$ reference price for crude oil per barrel (US\$ UK Brent per barrel) in the evaluation is \$55.00 for 2017, \$65.00 for 2018, \$70.00 for 2019, \$71.40 for 2020, \$72.83 for 2021 and prices increase at 2.0% per year thereafter. Foreign exchange rate used of Cdn\$1=US\$0.78 for 2017, Cdn\$1=US\$0.82 for 2018 and Cdn\$1=US\$0.85 thereafter. The engineered values disclosed may not represent fair market value.
- (13) Thailand reserves as at December 31, 2015 as evaluated by Sproule International Limited of Calgary assessed at forecast crude oil reference prices and costs. The US\$ reference price for crude oil per barrel (US\$ UK Brent per barrel) in the evaluation is \$45.00 for 2016, \$60.00 for 2017, \$70.00 for 2018, \$80.00 for 2019, \$81.20 for 2020, \$82.42 for 2021 and prices increase at 1.5% per year thereafter. Foreign exchange rate used of Cdn\$1=US\$0.75 for 2016, Cdn\$1=US\$0.80 for 2017, Cdn\$1=US\$0.83 for 2018 and Cdn\$1=US\$0.85 thereafter. The engineered values disclosed may not represent fair market value.
- (14) Per share values calculated based on 54,885,407 Pan Orient Shares outstanding at December 31, 2016 and December 31, 2015.
- (15) The evaluation of the Andora's contingent resources of the oil sands project at Sawn Lake Alberta, Canada as at June 30, 2016 was conducted by Sproule Unconventional Limited. The evaluation assigned an 85% chance of development for Sawn Lake, or a 15% development risk, and the risked "Best Estimate" contingent resources for Andora were 196.9 million barrels of bitumen recoverable (141.4 million barrels net to Pan Orient's interest in Andora). Andora's unrisked "Best Estimate" contingent resources were 231.6 million barrels (166.3 million net to Pan Orient's interest in Andora) of recoverable bitumen as at June 30, 2016. The June 30, 2016 report has been updated for results of the Sawn Lake demonstration project, the June 30, 2016 price forecasts for crude oil, bitumen, natural gas and exchange rates, and a revised date of 2020 for the estimated commencement of commercial production.
- (16) A contingent resource report was not prepared for December 31, 2015. Pan Orient's 71.8% share as at December 31, 2014 of the "Best Case" contingent resources of Andora, a private company as evaluated by Sproule Unconventional Limited assessed at forecast crude oil reference prices and costs. The "Best Case" company gross contingent resources at Sawn Lake were 214 million barrels of bitumen recoverable attributed to Andora's working interest, which is 154 million barrels attributed to the 71.8% ownership interest of Pan Orient in Andora. The reference prices for crude oil per barrel (Western Canada Select WCS 20.5 API in Canadian dollars) is \$60.50 for 2015, \$75.13 for 2016, \$84.52 for 2017, \$85.79 for 2018, \$87.07 for 2019, \$89.31 for 2020 and prices for the reference price (WCS) increase at 1.5% per year thereafter. Undiscounted future capital expenditures for Pan Orient's 71.8% share are estimated at \$1,578 million. The engineered values disclosed may not represent fair market value and there is no certainty that it will be commercially viable to produce any portion of the resources.
- (17) At December 31, 2016 Concession L53/48 in Thailand consisted of 20 square kilometers associated with the L53-A, L53-D and L53-G fields held through production licenses (with a 20 year primary term to 2036 plus an additional 10 year renewal period that can be applied for) and 215.87 square kilometers of "reserved area" exploration lands.  
The original nine year exploration period for Concession L53 expired on January 7, 2016. The Government of Thailand approved a 215.87 square kilometer "reserved area" within Concession L53 for up to five years, with the payment of a surface reservation fee of \$0.8 million gross (\$0.4 million net to Pan Orient), for each year the Company elects to retain the reserved area. The Company is entitled to receive a refund of the surface reservation fee for a particular year in an amount equal to the petroleum exploration expenditures spent in that year within the reserved area up to the reservation fee paid. The Company intends to spend at least the full amount each year the reserved area is renewed and, therefore, it is expected that the annual reservation fee will be fully refunded.
- (18) Pan Orient's share of commitments in Indonesia reflects amounts to be paid by Pan Orient in respect of the East Jabung Production Sharing Contract ("PSC"). Commitments in Indonesia include the completion of a work program as well as the Company's estimated amount of the expenditure. Financial commitments as provided above represent management's assessment of the costs of the work program required under the initial 3-year firm commitment exploration period of the PSC. The work program commitment is based on the original contract and timing is subject to Government of Indonesia ("GOI") approval. With respect to the East Jabung PSC, the extension of this initial exploration period has been agreed to with the GOI to the date indicated. If Pan Orient exercises its options to continue beyond the initial exploration period, additional commitments will be determined on a year-by-year basis through submission of a work program and approval from the GOI. Although extension of the exploration period is a departure from the original contract, it is considered standard practice in Indonesia.
- (19) In the fourth quarter of 2014 the Company entered into a farmin agreement for the transfer of a 51% direct working interest and operatorship of the East Jabung PSC. The agreement includes a firm commitment by the farminee to fund the first USD \$10.0 million towards the first exploration well and a contingent commitment to fund the first USD \$5.0 million towards an appraisal well, if justified. The transaction closed on June 1, 2015 and the Company transferred the operatorship of the PSC to the farminee and reduced its interest to 49%. The commitment provided above represents the Company's 49% interest in the two exploration wells and its share of the outstanding geological studies.
- (20) The Company relinquished the East Jabung PSC's offshore area of 3,279.96 square kilometers in 2013, and this relinquishment was finalized in 2014. The result of the relinquishment does not impact the PSC's onshore exploration activities. As at December 31, 2016 Pan Orient had a 49% interest in the East Jabung PSC, which had a gross area of 2,947.76 square kilometers (1,445 square kilometers net).
- (21) At December 31, 2016 Pan Orient held a 77% interest in the Batu Gajah PSC, which had a gross area of 791.71 square kilometers (610 square kilometers net). On January 15, 2017 the Batu Gajah PSC expired.
- (22) Tables may not add due to rounding.